



MONTHLY REPORT OF THE INVESTMENT ADVISORY COMMITTEE

Prepared by the Department of Finance

OCTOBER, 2014

MONTHLY REPORT
OF THE
INVESTMENT ADVISORY
COMMITTEE
OF THE CITY OF HAMILTON, OHIO

October 1, 2014 through October 31, 2014

INVESTMENT ADVISORY COMMITTEE

OCTOBER 2014

TABLE OF CONTENTS

	Page No.
Monthly Investment Committee Report	1-3
I. Investment Activity Report	4-5
II. Portfolio Balance Summary	6
III. Portfolio Performance Summary	7
IV. Short Term Yields	8
V. Managed Fund Yields	9-10
Bond Tech, Inc. General Operating	
Bond Tech, Inc. Rate Stabilization	
1 st Financial Bank- Certificate of Deposit	
VI. Managed Portfolio Listings	
Bond Tech Inc., General Operating	11
Liquid, Special Purpose, Certificates of Deposit, & Treasurer's Note	12
VII. Liquid Funds Summary	13
Special Purpose Funds Summary	14
VIII. Benchmark Comparisons	15

Monthly Investment Committee Report

October 2014

Introduction

This document meets the requirement of the City of Hamilton's Certified Investment Policy to report monthly to the Investment Advisory Committee. The report is designed to allow the Committee to ascertain that the City's investment activities conform to the Investment Policy and achieve the benchmark rate of return. In addition, the report includes commentary regarding the fixed income market and general economic conditions.

The Investment Advisory Committee approves the Investment Policy, reviews the City's investments, and adopts rules that assure the Policy is met. The Committee includes the Mayor (or Council designee), the City Manager, the Law Director, the Finance Director, and the Treasurer. The Committee attempts to meet annually.

It is the policy of the City of Hamilton, Ohio to invest interim funds to achieve the maximum preservation and security of funds, meet daily cash flow needs, and after achieving these objectives, achieve the highest rate of return. Investments are made using the "prudent investor" rule. Funds sufficient to meet payment obligations are kept in liquid funds. Funds not immediately needed are invested. Investments are made with the expectation that they will be held to maturity.

Investments include only those as provided in Chapter 135 of the Ohio Revised Code. All deposits must be collateralized at 102% of market value. Investments are diversified in accordance with the Investment Policy. The maximum maturity for investments is five years.

The City has pooled General Accounts, Rate Stabilization Accounts for the four City utilities, and an Electric System Reserve Account.

The portfolio performance standard is a weighted benchmark as follows: 50% average two-year Treasury Note, 25% three month average Star Plus yield; 25% one to three year Merrill Lynch Index.

The City has a checking sweep account at US Bank, STAR Ohio & Star Plus money market accounts managed by the Ohio Treasurer of State, managed accounts with Bond-Tech, Inc., two First Financial Bank Money Market Accounts, and one First Financial Bank Certificate of Deposit. The City also has a custodial account with US Bank to settle trades.

Account	September Book Value	October Book Value	Variance	Interest Rate %
U.S. Bank Sweep Acct	13,429,608.08	8,186,364.43	(5,243,243.65)	0.05
First Financial-Gen Oper	23,162,580.25	23,166,539.72	3,959.47	0.20
COH Treasurer's Notes	1,197,979.00	1,197,979.00	0.00	2.21
STAR Ohio - General	109,177.76	94,689.03	(14,488.73)	0.05
STAR Plus	15,042,162.51	20,044,934.26	5,002,771.75	0.20
First Financial Rate Stab.	16,650,612.33	16,653,440.65	2,828.32	0.20
First Financial Bank CD (Benninghofen Trust)	75,000.00	75,000.00	0.00	0.35
Bond Tech Managed Portfolio	32,491,563.69	28,494,608.41	(3,996,955.28)	1.023
Total	102,158,683.62	97,913,555.50	(4,245,128.12)	

As noted in the table above, the total portfolio balance for October demonstrated a net decrease variance of \$4,245,128.12 from September as described below.

The October **US Bank Sweep Account** decreased \$5,243,243.65 as funds were transferred to Star Plus to earn a higher yield.

The **First Financial General Operating** account increased \$3,934.47 for October, representing interest income earnings and a refund of a service charge.

The **City of Hamilton's Treasurer's Notes**: Five Treasurer's Notes remain on the books effective October 31, 2014. The Treasurer's Note of \$575,000.00 was issued for the purpose of constructing the 2008 OPWC Concrete Repair and Resurfacing and various utility projects. Principal has been paid against the note, reducing it to \$122,379.00. A second Treasurer's Note of \$100,000.00 financed the acquisition and installation of new golf course maintenance and irrigation equipment for the City's municipal golf courses. The note balance is \$40,000. A third Treasurer's Note of \$1,000,000.00 was sold to construct various 2010 special assessment projects. The note balance is \$400,000. The fourth Treasurer's Note of \$425,000.00 was sold in July, 2011 for a portion of the construction and repair of sidewalks, curbs, and gutters on various streets as part of the 2011 Special Assessment Street and Sidewalk Program. The note balance is \$255,000.00. The fifth Treasurer's Note of \$475,750.00 was sold February 15, 2013 for Municipal Golf Course maintenance equipment, clubhouse improvements, and golf and beverage cart purchases. The note balance is \$380,600.00.

The **STAR Ohio General Money Market** account shows a decreased comparative value from September of \$14,488.73 as funds were transferred to obtain a higher yield.

The **STAR Plus** account continues to provide attractive yields for alternative liquid investments. STAR Plus is a federally insured cash account that enables Ohio's political subdivisions to receive very competitive yields on their cash deposits thru a network of carefully-selected FDIC insured banks. STAR Plus offers weekly liquidity without penalty from withdrawals and seamless integration with the existing general operating STAR Ohio account. The maximum \$15,000,000 deposit allowable by the State has just been increased to \$20,000,000. The City took advantage of the increased allowable balance and transferred \$5,000,000.00 into this account. They also received 20 basis points for October, or \$2,771.75 in interest earnings.

The **First Financial Rate Stabilization** account has provided a stable investment opportunity for 10 months now. Funds were transferred from the Star Ohio Rate Stabilization Account to earn the higher rate of return. Interest income for October was \$2,828.32.

The **First Financial Bank CD Portfolio** consists of one \$75,000.00 CD for the Benninghofen Trust Fund. The CD matured in September and was rolled for another twelve months. The rate increased to 35 basis points, maturing August, 2015. Additional CD's will be purchased as attractive yields become available.

The \$3,996,955.28 net decrease in the **Bond Tech Managed Portfolio** of government securities reflects no investment purchases, two investment calls totaling \$4,000,000.00, plus the net of Treasury Investment Pool premiums and discounts for October. Additional investments are forthcoming.

I. INVESTMENT ACTIVITY REPORT

October 2014

Monetary policy is made by the Federal Open Market Committee (FOMC) which consists of the members of the Board of Governors of the Federal Reserve System and five Reserve Bank presidents. Together, they are responsible for open market operations, the discount rate, and reserve requirements. The FOMC holds eight regularly scheduled meetings during the year and other meetings as needed. The FOMC met in October.

The Committee continues to support maximum employment and price stability, keeping the federal funds rate at 0.00% - 0.25% for October. To determine how long the rate will remain at this level, the Committee continues to assess labor market conditions, inflation data and financial developments. However, the overall assessment is that the target rate will remain as is for some time, depending on the economy's ability to meet the Committee's employment and inflation objectives. October ended the Committee's asset purchase program. However, the Committee will reinvest the principal payments from its holdings which should maintain accommodative financial conditions.

The City's account balance of \$97,913,555.50 consists of the Bond Tech invested portfolio, five Treasurer's Notes, STAR Ohio, STAR Plus, two First Financial Money Markets, one First Financial CD, and the US Bank Sweep Liquid Funds (See Tables II and III). For October, the Bond Tech General account had an unrealized gain in market value compared to book value of \$14,841.55 on the existing securities. Future "step-up" securities are being purchased to provide movable yields as markets continue to improve. The portfolio experienced a realized gain of \$2,281.04 on the called securities. Total undistributed interest income for these accounts totaled \$19,732.12 including Treasury Investment Pool activity.

All securities were previously called in the Bond Tech Rate Stabilization portfolio. No additional rate stabilization securities have been purchased as utility long range expenditure plans are not finalized. Note that the rate stabilization funds have been moved from Star Ohio to First Financial Bank for a much higher rate of return.

One CD continues to be on the books as of October 31, 2014, held by First Financial Bank. With market conditions improving, additional CD opportunities will be available for purchase. The City of Hamilton's Investment Policy requires portfolio reporting to the Investment Advisory Committee, including investment type, book value, market value and income earned. The Portfolio Performance Summary Table III provides this detail.

The Realized Estimated Annual Income of \$445,308.21 consisting of realized net gains and losses plus estimated annual interest is 0.45% of investment book value versus the benchmark target of 0.47%. The approximate \$28.5 million Bond Tech book values gained yields in excess of one percent, thus keeping the Estimated Annual Income (page 7) moving upward. Efforts continue to locate additional securities and institutions that have the ability to maximize the City's returns, despite volatile markets. As always, conservatism remains the key to meet our investment objectives of safety first, liquidity second and lastly yield.

Respectfully submitted,

A handwritten signature in cursive script, reading "Deborah J. Hymer".

Deborah J. Hymer
Treasurer

II. Portfolio Balance Summary - October 31, 2014

General Accounts -- Book Values

Liquid Funds

STAR Ohio - General	\$	94,689.03
Star Plus	\$	20,044,934.26
U.S. Bank Treasury Investment	\$	8,186,364.43
First Financial*	\$	22,016,539.72

Total **\$ 50,342,527.44**

Invested Funds

Bond Tech		
U.S.Treasury/Agency	\$	28,494,608.41

Certificates of Deposit	\$	75,000.00
U.S. Treasury/Agency	\$	-
Money Market Fund	\$	-

COH Treasurer's Note	*	\$	122,379.00	Held w/in US Bank O/N
COH Treasurer's Note	*	\$	40,000.00	Held w/in US Bank O/N
COH Treasurer's Note	*	\$	400,000.00	Held w/in US Bank O/N
COH Treasurer's Note	*	\$	255,000.00	Held w/in US Bank O/N
COH Treasurer's Note	*	\$	380,600.00	Held w/in US Bank O/N

Total **\$ 29,767,587.41**

Total Liquid and Invested Funds

\$ 80,110,114.85

Utility Rate Stabilization & Reserve Accounts

	<u>First Financial</u>	<u>Invested Funds</u>	<u>Reserve Funds</u> *Held as part of First Financial
Gas Utility (Fund 516)			
Liquid Funds First Financial	\$ 3,753,181.97		
Bond Tech U.S. Treasury/Agency		\$ -	
Reserve Account (Fund 517)			\$ 200,000.00 *
Electric Utility (Fund 526)			
Liquid Funds First Financial	\$ 4,089,904.96		
Bond Tech U.S. Treasury/Agency		\$ -	
Electric System Reserve (Fund 527)			
Liquid Funds First Financial	\$ 5,613,190.61		
Bond Tech U.S. Treasury/Agency		\$ -	
Water Utility (Fund 536)			
Liquid Funds First Financial	\$ 1,168,972.34		
Bond Tech U.S. Treasury/Agency		\$ -	
Reserve Account (Fund 537)			\$ 200,000.00 *
Waste Water Utility (Fund 546)			
Liquid Funds First Financial	\$ 2,028,190.77		
Bond Tech U.S. Treasury/Agency		\$ -	
Reserve Account (Fund 547)			\$ 750,000.00 *

Total **\$ 16,653,440.65** **\$ -** **\$ 1,150,000.00** **\$ 17,803,440.65**

Grand Total All Funds

\$ 97,913,555.50

III. Portfolio Performance Summary
As of October 31, 2014

Investment	Book Value	Market Value	Unrealized Gains/Losses	Realized Gains/Losses	Estimated Annual Interest	Estd Annual Total Income	Realized Estimated Annual Income
Star Ohio General (1)	\$ 94,689.03	\$ 94,689.03	\$ -	\$ -	\$ 47.34	\$ 47.34	\$ 47.34
Star Plus	\$ 20,044,934.26	\$ 20,044,934.26	\$ -	\$ -	\$ 40,089.87	\$ 40,089.87	\$ 40,089.87
Star Financial Rate Stab (2)	\$ 11,040,250.04	\$ 11,040,250.04	\$ -	\$ -	\$ 22,080.50	\$ 22,080.50	\$ 22,080.50
First Financial Elec Sys Reserve (3)	\$ 5,613,190.61	\$ 5,613,190.61	\$ -	\$ -	\$ 11,226.38	\$ 11,226.38	\$ 11,226.38
US Bk Checking Sweep (1)	\$ 8,186,364.43	\$ 8,186,364.43	\$ -	\$ -	\$ 4,093.18	\$ 4,093.18	\$ 4,093.18
First Financial General Operating*	\$ 23,166,539.72	\$ 23,166,539.72	\$ -	\$ -	\$ 46,333.08	\$ 46,333.08	\$ 46,333.08
City of Hamilton Treasurer's Note (1)	\$ 122,379.00	\$ 122,379.00	\$ -	\$ -	\$ 3,928.37	\$ 3,928.37	\$ 3,928.37
City of Hamilton Treasurer's Note (1)	\$ 40,000.00	\$ 40,000.00	\$ -	\$ -	\$ 1,188.00	\$ 1,188.00	\$ 1,188.00
City of Hamilton Treasurer's Note (2)	\$ 400,000.00	\$ 400,000.00	\$ -	\$ -	\$ 7,200.00	\$ 7,200.00	\$ 7,200.00
City of Hamilton Treasurer's Note (1)	\$ 255,000.00	\$ 255,000.00	\$ -	\$ -	\$ 5,380.50	\$ 5,380.50	\$ 5,380.50
City of Hamilton Treasurer's Note (3)	\$ 380,600.00	\$ 380,600.00	\$ -	\$ -	\$ 3,615.70	\$ 3,615.70	\$ 3,615.70
B-Tech General Account (1)	\$ 28,494,608.41	\$ 28,509,449.96	\$ 14,841.55	\$ 2,281.04	\$ 291,499.84	\$ 308,622.43	\$ 293,780.88
First Financial CD (1) Benninghofen	\$ 75,000.00	\$ 75,000.00	\$ -	\$ -	\$ 262.50	\$ 262.50	\$ 262.50
Total	\$ 97,913,555.50	\$ 97,928,397.05	\$ 14,841.55	\$ 2,281.04	\$ 436,945.27	\$ 454,067.86	\$ 439,226.31

(1) General Accounts

(2) Rate Stabilization

(3) Electric System Reserve

*Contains Gas, Water, & Wastewater Reserve of \$1,150,000

Realized Annual Income / Book Value =

0.45%

Benchmark Rate of Return =

0.47%

IV.

SHORT TERM YIELDS 2014				
MONTH	STAR OHIO OVERNIGHT LIQUIDITY	STAR PLUS	FIRST FINANCIAL GEN OPER	US BANK OVERNIGHT LIQUIDITY
JANUARY	0.01	0.20	N/A	0.05
FEBRUARY	0.02	0.20	0.20	0.05
MARCH	0.01	0.20	0.20	0.05
APRIL	0.02	0.20	0.20	0.05
MAY	0.03	0.20	0.20	0.05
JUNE	0.03	0.20	0.20	0.05
JULY	0.03	0.20	0.20	0.05
AUGUST	0.03	0.20	0.20	0.05
SEPTEMBER	0.04	0.20	0.20	0.05
OCTOBER	0.05	0.20	0.20	0.05
NOVEMBER				
DECEMBER				

v.

BOND TECH INC. General Operating 2014		
YEAR	YIELD PERCENTAGE	AVG LIFE (Years)
JANUARY	0.982	2.250
FEBRUARY	1.012	1.590
MARCH	0.999	1.870
APRIL	0.988	2.160
MAY	0.987	1.810
JUNE	1.030	1.760
JULY	1.023	1.720
AUGUST	1.030	1.510
SEPTEMBER	1.026	1.530
OCTOBER	1.023	1.430
NOVEMBER		
DECEMBER		

BOND TECH INC. Rate Stabilization 2014		
YEAR	YIELD PERCENTAGE	AVG LIFE (Years)
JANUARY	N/A	N/A
FEBRUARY	N/A	N/A
MARCH	N/A	N/A
APRIL	N/A	N/A
MAY	N/A	N/A
JUNE	N/A	N/A
JULY	N/A	N/A
AUGUST	N/A	N/A
SEPTEMBER	N/A	N/A
OCTOBER	N/A	N/A
NOVEMBER		
DECEMBER		

v.

Certificates of Deposit

Issue Date	Due Year 2014 / 2015	1st Financial Bank CD #	Amount	Yield	Purpose
08/15/14	08/15/15	17486357	75,000	0.35%	General Fund - Benninghofen Trust
Total			75,000		

City of Hamilton General Operating 19-3266
Bond Tech Inc.
Managed Investment Portfolio - October 31, 2014

<u>Bond Tech.</u>	<u>Fund</u>	<u>Custody</u>	<u>Cusip</u>	<u>Purchase Date</u>	<u>Book Value</u>	<u>Next Call Date/Type</u>	<u>Maturity</u>	<u>DTM</u>	<u>Par Value</u>	<u>Coupon</u>	<u>Yield</u>	<u>Estd Annl Inc</u>
<i>General Operating 19-3266</i>												
	FHLB Stepup	USB	313381NS0	1/18/2013	\$10,000,000.00	1/18/2015 Qtrly	1/18/2018	1.175	\$10,000,000.00	1.000%	1.000%	\$100,000.00
	FHLB Stepup	USB	313383A76	6/13/2013	\$7,500,000.00	12/13/2014 Qtrly	6/13/2018	1.321	\$7,500,000.00	1.000%	1.000%	\$75,000.00
	FHLB Stepup	USB	3130A2FD3	6/26/2014	\$1,999,013.38	12/26/2014 Qtrly	6/26/2019	1.699	\$2,000,000.00	1.000%	1.076%	\$21,509.38
	FHLB Stepup	USB	3130A2FS0	7/15/2014	\$1,998,806.58	1/15/2015 Qtrly	7/15/2019	1.718	\$2,000,000.00	0.875%	1.038%	\$20,747.61
	FHLB Stepup	USB	3130A2PM2	8/14/2014	\$1,998,812.97	11/14/2014 Qtrly	8/14/2019	1.748	\$2,000,000.00	1.000%	1.076%	\$21,507.23
	FHLMC Stepup	USB	3134G5EU5	8/20/2014	\$4,997,975.48	11/20/2014 Qtrly	8/20/2019	1.754	\$5,000,000.00	1.000%	1.050%	\$52,478.74
					\$28,494,608.41				\$28,500,000.00		1.0230%	\$291,499.84

Market Value \$32,502,534.80

Interest Income \$9,500.00

Total Market Value \$32,512,034.80

City of Hamilton
Liquid & Special Purpose Funds - October 31, 2014

Liquid Funds

Star Ohio - General	\$94,661.98	
Monthly Interest Income	\$27.05	
Star Plus		
Monthly Interest Income	\$20,042,162.51	
	\$2,771.75	
US Bank Treasury Invest O/N		
Monthly Interest Income	\$8,185,865.58	
	\$498.85	
First Financial General Operating		
Monthly Interest Income	\$23,162,605.25	
	\$3,934.47	
Total Liquid Funds		\$51,492,527.44

City of Hamilton Treasurer's Notes**\$1,197,979.00**Special Purpose Funds

First Financial Rate Stabilization	\$11,038,375.03	
First Financial Electric System Reserve	\$5,612,237.30	
Interest Income	\$2,828.32	
Total Liquid Funds		\$16,653,440.65

First Financial Bank

Certificate of Deposit - General	\$75,000.00	
Total Liquid Funds		\$75,000.00

Total Book Value + Interest Income**\$97,913,555.50**

VII.

CITY OF HAMILTON, OHIO
INVESTMENT REPORT

LIQUID FUNDS SUMMARY

OCTOBER 2014

	STAR OHIO - GENERAL OVERNIGHT FUNDS	STAR PLUS	US BANK TREASURY INVESTMENT OVERNIGHT LIQUIDITY	FIRST FINANCIAL MARKET LIQUIDITY	TOTAL LIQUID FUNDS
BEGINNING BALANCE OCT. 1, 2014	\$109,177.76	\$15,042,162.51	\$14,627,587.08	\$23,162,580.25	\$52,941,507.60
TRANSFERS IN					
INTEREST INCOME	\$6,185,484.22	\$5,000,000.00		\$25.00	\$11,185,509.22
OTHER DEPOSITS	\$27.05	\$2,771.75	\$498.85	\$3,934.47	\$7,232.12
DEBT PROCEEDS			\$8,843,771.37		\$8,843,771.37
					\$0.00
TOTAL INFLOWS	\$6,185,511.27	\$5,002,771.75	\$8,844,270.22	\$3,959.47	\$20,036,512.71
TRANSFERS OUT					
OTHER WITHDRAWALS	\$6,200,000.00		\$14,087,513.87	\$0.00	\$6,200,000.00
				\$0.00	\$14,087,513.87
TOTAL OUTFLOWS	\$6,200,000.00	\$0.00	\$14,087,513.87	\$0.00	\$20,287,513.87
ENDING BALANCE OCT. 31, 2014	\$94,689.03	\$20,044,934.26	\$9,384,343.43	\$23,166,539.72	\$52,690,506.44

VII.

CITY OF HAMILTON, OHIO
INVESTMENT REPORT

SPECIAL PURPOSE FUNDS SUMMARY

OCTOBER 2014

	FIRST FINANCIAL GAS RATE STABILIZATION FUND	FIRST FINANCIAL ELECTRIC RATE STABILIZATION FUND	FIRST FINANCIAL WATER RATE STABILIZATION FUND	FIRST FINANCIAL WASTEWATER RATE STABILIZATION FUND	FIRST FINANCIAL ELECTRIC SYSTEM RESERVE FUND	TOTAL SPECIAL PURPOSE FUNDS
BEGINNING BALANCE OCT. 1, 2014	\$3,752,544.56	\$4,089,210.36	\$1,168,773.81	\$2,027,846.31	\$5,612,237.30	\$16,650,612.34
DEPOSITS						\$0.00
TRANSFERS IN						\$0.00
INTEREST INCOME	\$637.42	\$694.60	\$198.53	\$344.46	\$953.31	\$2,828.32
DEBT PROCEEDS						\$0.00
TOTAL INFLOWS	\$637.42	\$694.60	\$198.53	\$344.46	\$953.31	\$2,828.32
TRANSFERS OUT						\$0.00
OTHER WITHDRAWALS						\$0.00
TOTAL OUTFLOWS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ENDING BALANCE OCT. 31, 2014	\$3,753,181.98	\$4,089,904.96	\$1,168,972.34	\$2,028,190.77	\$5,613,190.61	\$16,653,440.66

Fixed Income Benchmarks

October 31, 2014

Comparison to Managed Portfolios

	Bond Tech, Inc.			% Change
	Treasury Investment	Rate Stabilization		
Federal Funds Rate	1.023	N/A	0.25	0.77
Star Ohio Yield	1.023	N/A	0.05	0.97
Star Plus	1.023	N/A	0.20	0.82
2 Year Treasury Note	1.023	N/A	0.50	0.52
1-3 Year Merrill Lynch Agency (YTD)	1.023	N/A	0.699	0.32